

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT—
CUSTOMIZED DELIVERY

Docket No. MT2014-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2**
(October 10, 2014)

The United States Postal Service hereby provides notice of filing responses to Chairman's Information Request (CHIR) No. 2, which was issued on October 2, 2014. Responses were due by October 8, 2014. Each question is reprinted verbatim and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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October 10, 2014

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2

1. Please provide the basis upon which the Postal Service concludes that Customized Delivery “will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns.” See 39 U.S.C. 3641(b)(2). In this proceeding, “small business concern” means Courier and Express Delivery Services and Local Messengers and Local Delivery companies that meet the following criteria:

- a. Is a business entity organized for profit;
- b. Has a place of business located in the United States;
- c. Operates primarily within the United States or makes a significant contribution to the United States by paying taxes or using American products, materials or labor;
- d. Is independently owned and operated;
- e. Is not dominant in its field of operation; and
- f. Has 1,500 or fewer employees (Courier and Express Delivery Services) or has annual receipts of \$27.5 million or less (Local Messengers and Local Delivery).¹

In your response, please discuss how Customized Delivery prices compare to the prices charged by grocery delivery service providers in the metropolitan areas where the Postal Service plans to offer Customized Delivery.

RESPONSE:

The Postal Service expects that couriers and express delivery service companies will continue to operate within the emerging market for grocery delivery. Retail grocery stores and other companies that have entered the market have chosen to utilize couriers or smaller delivery companies for delivery, and will continue to do so.

Additionally, the Postal Service has found that many couriers and smaller delivery companies specialize – and will continue to specialize – in the delivery of time-sensitive business, legal, and financial documents, and time-sensitive medical items. These items fall outside the intended scope of Customized Delivery, which will not be focused on time-sensitive items delivered within an hour. This approach should not have a significant impact on the time-sensitive deliveries provided by couriers and similar small

¹ Docket No. MC2010-20, Order No. 473, Order Approving Request to Transfer Selected Post Office Box Service Locations to the Competitive Product List, June 17, 2010, at 13 n.24; 13 CFR 121.201, Sectors 48-49, Subsector 492.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2

business delivery companies. The Postal Service has conducted an informal survey of the range of prices offered for similar services, and has found that its price range for Customized Delivery falls within the general range currently in the marketplace.

Therefore, the Postal Service submits that Customized Delivery will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2

2. The Notice states that Customized Delivery “will provide customers with delivery of groceries and other prepackaged goods, primarily during a 3 a.m. to 7 a.m. delivery window.” Notice at 1.

- (a) Do “groceries” include items that are non-perishable? If so, please describe the types of items that would be considered groceries.
- (b) Do prepackaged goods include perishable and non-perishable items (or both)? If so, please describe the types of items that would be considered prepackaged goods.
- (c) Can the Postal Service deliver prepackaged goods via Metro Post as well as Customized Delivery?

RESPONSE:

a. Yes. “Groceries” also includes household items such as paper towels, bathroom tissue, diapers, and basic consumable, but non-edible items typically found in retail grocery stores.

b. “Prepackaged goods” refers to any boxed and labelled items that might normally be sent through other Postal Service mailing channels.

c. Yes, prepackaged goods may be sent via several different Postal Service mailing channels and using different services.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2

3. To facilitate review related to “market disruption” under 39 U.S.C. 3641(b)(2), please provide any available market research on grocery delivery services undertaken in connection with this market test. Please include, without limitation, market prices for comparable services.

RESPONSE:

The Postal Service did not conduct or obtain any formal market research on grocery delivery services, but did conduct an informal survey of the available prices offered in the marketplace. The Postal Service found pricing varies based on geography, total value of items delivered, and type of delivery destination. Other delivery services charge annual fees for unlimited deliveries rather than a per-delivery charge. Additionally, some grocery delivery services charge fuel surcharges. It is important to note that the grocery delivery market is an emerging market, with many companies exploring new opportunities to enter the market. As an emerging market, there are many variables that may affect the prices and services offered by different grocery delivery service companies. But on balance, the Postal Service has concluded that its intended price range for Customized Delivery falls within the variety of prices currently in the marketplace.